# Chapter 1: Administering QuickBooks

## In This Chapter

- **Keeping your data confidential**
- **Using QuickBooks in a multi-user environment**
- **Closing QuickBooks**
- **Using QuickBooks for simultaneous multi-user access**
- **Maintaining good accounting controls**

QuickBooks does something that's critically important to the success of your business: It collects and supplies financial information. For this reason, you want to have a firm understanding of how you can protect both the data that QuickBooks collects and stores and the assets that QuickBooks tracks. This chapter describes all this.

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## Keeping Your Data Confidential

Accounting data is often confidential information. Your QuickBooks data shows how much money you have in the bank, what you owe creditors, and how much (or how little!) profit your firm produces. Because this information is private, your first concern in administering a QuickBooks accounting system is to keep your data confidential.

You have two complementary methods for keeping your QuickBooks data confidential. The first method for maintaining confidentiality relies on the security features built into Microsoft Windows. The other method relies on QuickBooks security features.

### Using Windows security

You can use the security provided by Microsoft Windows 7, Windows Vista, or Windows XP to restrict access to a file — either a program file or a data file — to specific users. This means that you can use Windows-level security to say who can and can't use the QuickBooks program or access the QuickBooks data file.

I don't describe how Windows-level security works in this book. If you are already employing Windows-level security, you (or someone in your office) know how to use that tool to prevent unauthorized access to (or the use of) program files and data files. To use Windows-level security for QuickBooks, you can simply apply your existing general knowledge to the QuickBooks program file or the QuickBooks data file.

If you aren't already using the Windows-level security, you don't need to go to the trouble of learning Windows' complicated security system. You can use the simpler QuickBooks security.

## Using QuickBooks security

You can protect the confidentiality of your QuickBooks data by assigning a password to a QuickBooks company data file. You can do this during the QuickBooks setup process. You can also set up a password by choosing the Company menu's Change Your Password command. When you choose this command, QuickBooks displays the Change Password dialog box, which (I'm not kidding) QuickBooks doesn't want people to take a picture of, for security reasons. To set up a password, you simply enter the same password into both the New Password text box and the Confirm New Password text box. Note that your password is associated with the username Admin (which stands for administrator). Leave the Enter Old Password box empty. If you haven't yet set up a password, you don't have an old password.

Obviously, you want to set your password so that no one (not even a computer) can possibly guess it. This means that your password shouldn't be a word in a dictionary. Your password also shouldn't be a number. And your password *especially* shouldn't be a word, phrase, or name that some coworker can easily figure out. The best passwords (from a security point of view) are nonsensical combinations of letters and numbers, such as *f34t5s* or *s3df43x2*.

After you set your password, you should periodically change it. To change your password, you also choose the Company menu's Change Your Password command. QuickBooks again displays the Change Password dialog box. This time you must enter your old password into the Enter Old Password text box. Then you need to enter your new password into both the New Password text box and the Confirm New Password text box.

QuickBooks requires a username and password before it will open the company data file. For example, if you assign a password to your company data file, whenever QuickBooks starts, it displays the QuickBooks Login dialog box, where you enter your username and password and then click OK. QuickBooks then opens the data file. If you can't supply the password, QuickBooks doesn't open the data file.

# QuickBooks in a Multi-User Environment

You aren't limited to using just one password to control access to your QuickBooks data file. QuickBooks allows you to set up several passwords for the QuickBooks data file. What's really neat about this is that you can tell QuickBooks to limit certain users and passwords to do only certain things. This sounds complicated, but it's really not. The business owner, for example, may have a password that allows her to do anything. But a new accounting clerk, for example, may have a password that only allows him to record bills into the system.

## Setting up additional QuickBooks users

If more than one person will be using QuickBooks, you want to set up additional passwords. To do this, follow these steps:

1. **Choose the Company➪Set Up Users and Passwords➪Set Up Users command.**

   QuickBooks displays the User List dialog box, as shown in Figure 1-1. The User List dialog box identifies any users for whom QuickBooks access has been set up. The User List dialog box also identifies who is currently logged on to the system. In Figure 1-1, the administrator is logged on.

**Figure 1-1:** The User List dialog box.

2. **Tell QuickBooks that you want to add a user by clicking the Add User button.**

   When you click this button, QuickBooks displays the first Set Up User Password and Access dialog box, as shown in Figure 1-2.

3. **Identify the user and supply a password.**

   You need to give each user for whom you are setting up a password a username. You do this by entering a short name — perhaps the user's first name — into the User Name box. After you identify the user, you enter the user's password into both the Password text box and the Confirm Password text box.

**Figure 1-2:** The first Set Up User Password and Access dialog box.

4. **Click Next to continue and then indicate whether you want to limit access for the new user.**

   When QuickBooks displays the second Set Up User Password and Access dialog box, as shown in Figure 1-3, indicate whether you want to limit access and rights for the user. If you do want to limit access and rights (*rights* are simply the things that the user can do), select the Selected Areas of QuickBooks radio button. If you want the user to be able to do anything, select the All Areas of QuickBooks radio button.

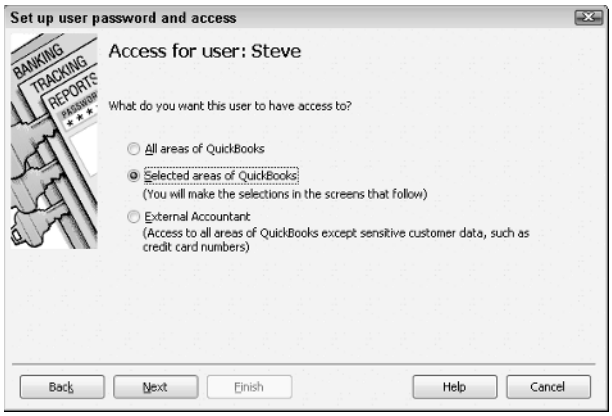
Set up user password and access
Access for user: Steve
What do you want this user to have access to?
All areas of QuickBooks
Selected areas of QuickBooks
(You will make the selections in the screens that follow)
External Accountant
(Access to all areas of QuickBooks except sensitive customer data, such as credit card numbers)
Back
Next
Finish
Help
Cancel

**Figure 1-3:** The second Set Up User Password and Access dialog box.

If you indicate that the new user should have access to all areas of QuickBooks, you're done setting up the user password. You can skip the remaining steps.

**5. Click Next to continue and then describe access to sales and accounts receivable information and tasks.**

After you complete Step 4, QuickBooks displays the third Set Up User Password and Access dialog box, shown in Figure 1-4. This is the first of ten dialog boxes that walk you through an interview asking detailed questions about what kind of access each user should have to a particular area. In Figure 1-4, QuickBooks asks about access to sales transactions (such as invoices and credit memos and accounts receivable information). You can indicate that the user should have no access by selecting the No Access radio button. You can indicate that the user should have full access by selecting the Full Access radio button. If the user should have partial access, you select the Selective Access radio button and then select one of the Selective Access subsidiary buttons: Create Transactions Only, Create and Print Transactions, or Create Transactions and Create Reports.

As a general rule, when it comes to accounting controls, you want to provide the minimal amount of access. If someone doesn't need access to the QuickBooks data file for day-to-day duties, you should select the No Access button. If someone needs a little bit of access — perhaps to prepare job estimates or invoices — you give just that access, and nothing more. A little bit later in this chapter, in the section "Maintaining Good Accounting Controls," I talk about why minimizing user rights and access is so important. But the bottom line is this: The more ability you give employees or subcontractors or accountants to noodle around in your accounting system, the greater the risk that someone can either inadvertently or intentionally introduce errors into the system. Also, the greater the rights and access you give, the easier you make it for someone to steal from you.

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Access to this area includes activities such as: entering invoices, sales receipts and sales orders, receiving payments, and writing estimates and statements. It also includes access to the Customer Center and accounts receivable reports.
What level of access to Sales and Accounts Receivable activities do you want to give this user?
No Access
Full Access
Selective Access
Create transactions only
Create and print transactions
Create transactions and create reports
View complete customer credit card numbers
Tell me about customer credit card protection.
Back
Next
Finish
Help
Cancel

**Figure 1-4:** The third Set Up User Password and Access dialog box.

When QuickBooks asks about how much access to sales and accounts receivable information you want for a QuickBooks user, you get another checkbox, View Complete Credit Card Numbers, which lets you restrict users' access to credit card information. Note, too, that QuickBooks' Company menu includes a Customer Credit Card Protection command that turns on additional security within QuickBooks in order to protect customer credit card data. For example, if credit card protection is turned on, QuickBooks requires more secure passwords for users and regular changes in passwords.

6. **Click Next and then describe the purchases and accounts payable rights.**

   After you complete Step 5 by clicking Next, QuickBooks displays the fourth Set Up User Password And Access dialog box, as shown in Figure 1-5. This dialog box resembles the one shown in Figure 1-3. Like that dialog box, the fourth Set Up User Password And Access dialog box allows you to specify what access this new user has in the purchases and accounts payable areas. You can select the No Access radio button. You can select the Full Access radio button. Or you can select some middle ground by selecting the Selective Access radio button and one of the Selective Access subsidiary buttons. The same rules for setting rights and access that apply to the purchases and accounts payable area also apply to the sales and accounts receivable area.

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Access to this area includes activities such as: Entering and paying bills, entering credit card charges, and entering purchase orders. It also includes access to the Vendor Center and accounts payable reports.
What level of access to Purchases and Accounts Payable activities do you want to give this user?
No Access
Full Access
Selective Access
Create transactions only
Create and print transactions
Create transactions and create reports
Back
Next
Finish
Help
Cancel

**Figure 1-5:** The fourth Set Up User Password and Access dialog box.

7. **Click Next and then describe the remaining user rights and access.**

   When you click the Next button shown on the bottom of each version of the Set Up User Password and Access dialog box, QuickBooks displays several other versions of the dialog box that QuickBooks uses to query you about user rights and access. For example, after you describe what rights are appropriate for the user in the purchases and accounts

payable area, QuickBooks asks about the checking and credit card area. Then it asks about the inventory area. Next, it asks about payroll. And then it asks about general, sensitive accounting activities. Finally, QuickBooks asks about access to the financial reporting capabilities.

You limit rights in each of these other areas in the same way that you do for the sales and accounts receivable and purchases and accounts payable areas. I am not, therefore, going to describe how you select the No Access option button, the Full Access option button, or the Selective Access button over and over again. Just be thoughtful as you go through and limit the capability of the user. You want users to have the rights necessary to do their job, but you don't want to give them any more rights than they need.

8. **Specify where the user can change or delete transactions.**

After you've stepped through roughly a half-dozen versions of the Set Up User Password and Access dialog boxes that ask about specific areas of accounting, QuickBooks displays the Set Up User Password and Access dialog box shown in Figure 1-6. The Changing or Deleting Transactions version of the Set Up User Password and Access dialog box lets you indicate that a user can or can't change transactions recorded before the closing date. In general, you want to limit a user's capabilities to change or delete transactions.

Set up user password and access: Steve
Changing or Deleting Transactions
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Do you want this user to have the ability to change or delete transactions in the areas they have access to?
Yes
No
Should this user also have the ability to change or delete transactions that were recorded before the closing date?
Yes
No
Back
Next
Finish
Help
Cancel

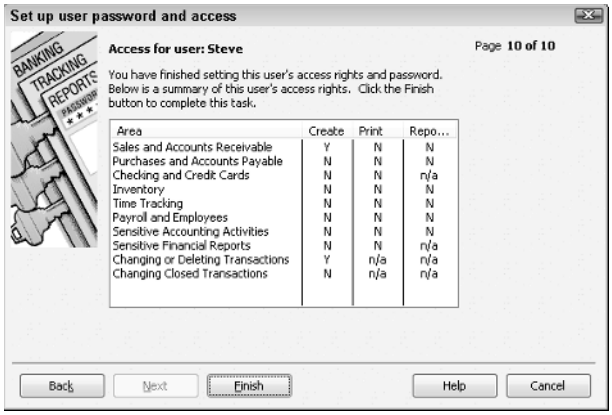
**Figure 1-6:** The Changing or Deleting Transactions page of the Set Up User Password and Access dialog box.

One of the problems with QuickBooks is that it doesn't limit in any other way the capability of someone — perhaps someone who is well-meaning but lacks knowledge — to muck up your accounting records by noodling around with old transactions. You want to restrict the capability to change or delete transactions to a very small group of users. And those users must be people who understand either accounting or the importance of not going in and mucking up old accounting records that have

already been used to report finances to the bank or to taxing authorities. You indicate whether a user can change or delete transactions by selecting the Yes or No option buttons shown in Figure 1-6.

**9. Click Next and then review your rights decisions.**

After you click Next, QuickBooks displays the final version of the Set Up User Password and Access dialog box, shown in Figure 1-7. It identifies the user rights that you assigned or allowed. You can use this dialog box to review the rights that someone has. If you realize you've incorrectly assigned rights, click the Back button to move back through the dialog boxes to where you made a mistake. Then change the assignment of rights and click the Next button to return to the final window of the Set Up User Password and Access dialog box.


Set up user password and access
Access for user: Steve
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You have finished setting this user's access rights and password. Below is a summary of this user's access rights. Click the Finish button to complete this task.
Area | Create | Print | Repo...
Sales and Accounts Receivable | Y | N | N
Purchases and Accounts Payable | N | N | N
Checking and Credit Cards | N | N | n/a
Inventory | N | N | N
Time Tracking | N | N | N
Payroll and Employees | N | N | N
Sensitive Accounting Activities | N | N | N
Sensitive Financial Reports | N | N | n/a
Changing or Deleting Transactions | Y | n/a | n/a
Changing Closed Transactions | N | n/a | n/a
Back
Next
Finish
Help
Cancel

**Figure 1-7:** The final window of the Set Up User Password and Access dialog box.

**10. After you finish with the review of user rights and access, click Finish.**

From this point forward, the new user will be able to use QuickBooks; however, his or her rights are limited to what you specified.

Accountants often want to see the rights that particular users have. This is especially true if you're audited by your CPA as part of annual closings. (You may be audited if the bank wants audited financial statements, for example.) QuickBooks doesn't provide a way for you to print the information shown in the Set Up User Password and Access dialog box shown in Figure 1-7. However, Windows allows you to use the Print Screen button to capture a screen shot of the QuickBooks program window and the Set Up User Password and Access dialog box.

Press Alt+Print Scrn to shoot a screen shot of the dialog box. This copies an image of your screen to the Windows Clipboard. Next, open Paint by choosing Start➪Programs➪Accessories➪Paint. Paste the image into Paint by pressing Ctrl+V. You may see an error message that says

`The image in the Clipboard is larger than the bitmap. Would you like the bitmap enlarged?` Click Yes. Save the screen shot using File➪Save As. (This is the same basic technique that I use, for example, to show you pictures of the QuickBooks window in the pages of this book.) You may want to capture a screen shot image in this way in order to record the user access and rights for employees.

## Changing user rights

You can also modify the rights that you assign to a user. To do this, choose the Company menu's Set Up Users command to display the User List dialog box, as shown in Figure 1-8. This is the same User List dialog box shown earlier in the chapter.

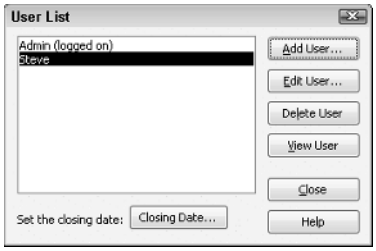


**Figure 1-8:** The User List dialog box.

To look at the rights that a particular user has, click the user in the list and then the View User button. When you do, QuickBooks displays the View User Access dialog box, as shown in Figure 1-9. This dialog box shows the same information as the final version of the Set Up User Access and Password dialog box, which is the dialog box that you use to initially specify what rights a user should have. Click the Leave button, obviously, to close the View User Access dialog box.

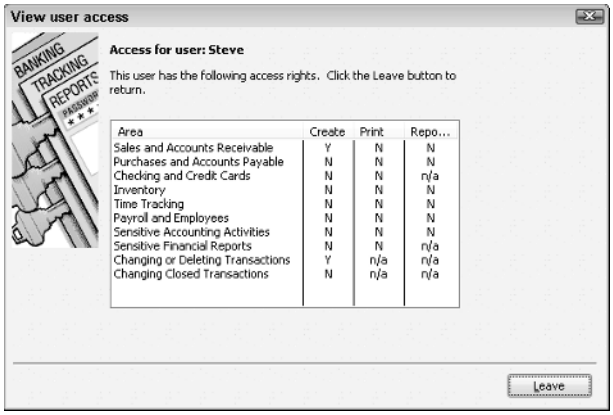
View user access
Access for user: Steve
This user has the following access rights. Click the Leave button to return.
Area | Create | Print | Repo...
Sales and Accounts Receivable | Y | N | N
Purchases and Accounts Payable | N | N | N
Checking and Credit Cards | N | N | n/a
Inventory | N | N | N
Time Tracking | N | N | N
Payroll and Employees | N | N | N
Sensitive Accounting Activities | N | N | N
Sensitive Financial Reports | N | N | n/a
Changing or Deleting Transactions | Y | n/a | n/a
Changing Closed Transactions | N | n/a | n/a
Leave

**Figure 1-9:** The View User Access dialog box.

To change a user's rights after reviewing them, select the user and click the Edit User button. This tells QuickBooks to step through the same set of dialog boxes that you used to originally set up the user and describe his rights. You use the Next and Back buttons to do things such as change the username or password, specify whether the user should be limited in his access, and — if necessary — to specifically limit the user's access to a particular activity within QuickBooks.

To remove a user, you also use the User List dialog box. Simply select the user and then click the Delete User button. QuickBooks asks you to confirm your deletion. When you click the Yes button for confirmation, QuickBooks removes the user.

## A Few Words about Closing

Because I mentioned *closing* in the earlier paragraphs of this chapter and because the User List dialog box that includes a Closing Date button has been shown twice already in figures in this chapter, perhaps it's time to discuss just a point or two about closing in QuickBooks.

If you take a "Principles of Accounting" course, you'll learn that *closing* means a set of bookkeeping procedures somebody goes through to zero out revenue and expense accounts so that, starting in the new year, revenues and expenses can be easily calculated. In QuickBooks, *closing* means something different. In QuickBooks, to close the accounting records, click the Set Closing Date button on the User List dialog box (refer to Figure 1-8) and then provide the closing date and, optionally, a closing password. After you supply this closing date, QuickBooks either prohibits users or limits users from changing transactions dated before the closing date.

To close the QuickBooks data file to transactions that occur before a particular date, you simply enter the date into the Closing Date box.

## Using Audit Trails

If you decide to allow multiple users access to the QuickBooks data file, you'll appreciate the QuickBooks Audit Trail feature. The Audit Trail feature keeps a record of who makes what changes to the QuickBooks data file.

You can't remove transactions from the Audit Trail list or history except by archiving and condensing data. Archiving and condensing data is described in Book VII, Chapter 3.

# Turning on Audit Trail Tracking

In versions of QuickBooks prior to QuickBooks 2007, you had to turn on the audit trail feature. With the recent versions of QuickBooks, however, the QuickBooks Audit Trail feature is "always on." You don't need to do anything to begin using it.

# Producing an Audit Trail Report

To produce an Audit Trail report, simply choose the Reports menu's Accountant and Taxes command and then select the Audit Trail command from the submenu. Figure 1-10 shows a QuickBooks Audit Trail report in a window. Note that the report identifies both the type of change made and the person who made the change to the QuickBooks data file.

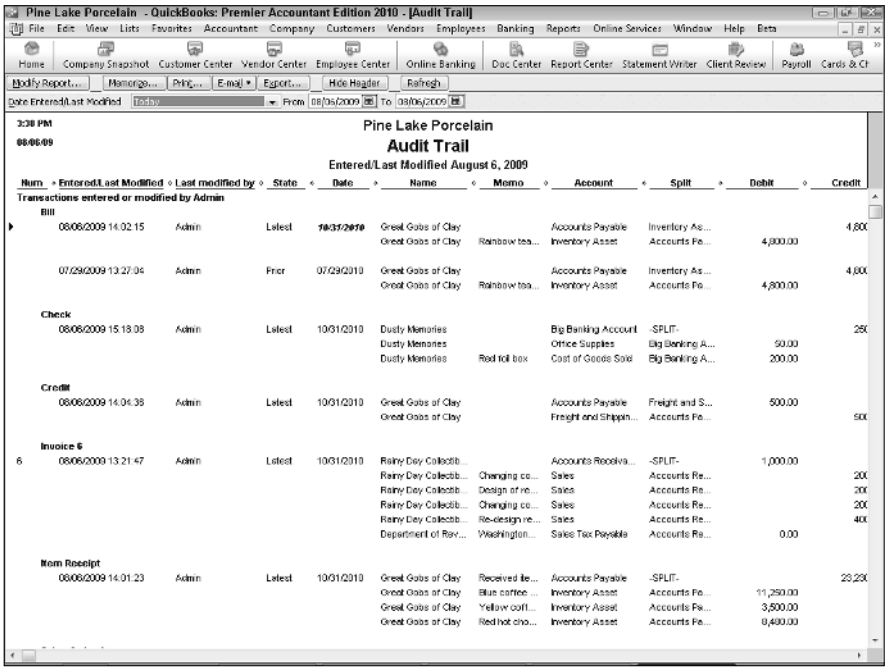
Pine Lake Porcelain - QuickBooks: Premier Accountant Edition 2010 - [Audit Trail]
Pine Lake Porcelain
Audit Trail
Entered/Last Modified August 6, 2009

**Figure 1-10:** The Audit Trail report.

# Simultaneous Multi-User Access

Sometimes, you need only a single computer and a single copy of QuickBooks even though you have several employees using QuickBooks. For example, if a small business has only an administrative assistant and the owner accessing a QuickBooks data file, one copy of QuickBooks running on a single personal computer may be all that is required. However, QuickBooks does allow for simultaneous use of the QuickBooks data file by multiple users. To do this, predictably, you first need to set up the multiple users as described in the preceding paragraphs of this chapter.

After you've set up the multiple users, however, you can install the QuickBooks program on other personal computers and then — assuming that these personal computers all connect to a Windows network — use those other copies of QuickBooks to access the QuickBooks data file stored on the first or principal computer.

To use QuickBooks in an environment of simultaneous use by multiple users, you also need to tell QuickBooks that this simultaneous use is okay. To do this, choose the File➪Switch to Multi-User Mode command. If you later want to turn off this Multi-User Mode, you choose the File➪Switch to Single User Mode command.

QuickBooks supports simultaneous use by multiple users through a technology called *record locking,* which locks all the records that you're working with, but not the entire QuickBooks data file. For example, if you want to work with company A and some other user wants to work with company B, that's okay. QuickBooks allows that. What you and the other user can't do, however, is work on the same company (company A or B) at the same time. This would mean that you're working with the same customer record.

You can't install the same copy of QuickBooks on multiple machines and legally have a multiple user QuickBooks system. You must purchase a copy of QuickBooks for each machine on which QuickBooks is installed. Note, however, that Intuit does sell some multiple user versions of QuickBooks where you actually buy five licenses in one box of QuickBooks. (The Enterprise version of QuickBooks supports multiple user networks with up to thirty simultaneous users, while the other versions of QuickBooks support multiple user networks with up to five simultaneous users.)

A common setting in which you may want to have several QuickBooks users is for sales representatives in your firm who prepare invoices or prepare bids for customers. In this case, you may want to have each salesperson set up on QuickBooks. Note, however, that these sales people should only have the capability to create an invoice or perhaps create and print an invoice

estimate. For reasons discussed more fully in the next section of this chapter, you want to be very careful about allowing inexperienced accounting users full access to the accounting system.

## Maintaining Good Accounting Controls

In the preceding paragraphs of this chapter, I talk about how QuickBooks allows for multiple users. Many businesses, after they grow to a certain size, do need to support multiple users with access to accounting information and the capability, in some cases, to create accounting transactions. Unfortunately, multiple accounting system users create risk for the business owner. By having access to the accounting system, users can either inadvertently introduce errors into the accounting system, or, unfortunately, some users may intentionally defraud a business. For these reasons, I want to briefly list some QuickBooks control techniques that a business owner or business manager can use to minimize unintentional errors and minimize the opportunity for theft. Here are my best ideas:

- **Regularly compare physical inventory counts with inventory accounting records.** Inventory, unfortunately, shrinks. People — sometimes employees, but often pseudo-customers such as shoplifters — will steal inventory. Therefore, one of the things that you need to do both to minimize your inventory losses and to maintain accurate accounting records is to regularly compare physical counts of your inventory with what your accounting records show. A small convenience store, for example, may want to compare tobacco inventory on a daily basis, beer and wine inventory on a weekly basis, and all other grocery inventory items on a monthly or annual basis. This approach to frequently counting the most valuable and easiest-to-steal items accomplishes two things:
  - Inventory shrinkage is quickly identified.
  - The business owner can minimize inventory shrinkage by identifying the type of inventory that is most often stolen or even when inventory is most often stolen.
- **Reconcile bank accounts.** One thing that business owners should do, in my opinion, is reconcile their own bank accounts. Often, employee theft by accounting personnel occurs as employees figure out how to write checks on the company's bank account that the owner doesn't see. One sure way to find a fictitious and fraudulent transaction is to have the owner reconcile the bank statement. If the owner reconciles the bank statement, she can compare the bank's accounting for the account with the company's QuickBooks accounting records. Any obvious discrepancies can be fixed — which means that the QuickBooks accounting records are more accurate. Additionally, any flaky, suspicious transactions tend to become obvious when the business owner looks closely at checks.

The first employee I ever hired was a check forger. He began forging checks on one of my businesses' checking accounts two or three weeks after he started working for me. I caught him only because I was regularly reconciling the checking account. (He was convicted of a felony a few months later.)

- **Segregate accounting from physical custody where possible.** In a small business, it's difficult to always separate the accounting for some activity from the physical custody or physical responsibility for that activity. For example, it's tough to segregate the inventory accounting from physical custody or access to that inventory. A store clerk, for example, may easily be able to steal cigarettes and also adjust inventory records through cash register sales for cigarettes. Nevertheless, wherever you can segregate physical custody from accounting, a built-in error checking occurs. The person doing the accounting indirectly checks on the physical custodians' caretaking of the asset. If the physical custodian is stealing cartons of cigarettes, for example, that will show up when the accountant compares the accounting records to the physical accounts of inventory. Similarly, someone without access to the cash and the bank account can't actually easily steal cash even if he has complete access to cash accounting records. You can ask your CPA for help in devising ways to segregate physical custody of assets from accounting and bookkeeping duties. And you really, really should do this. Unfortunately, employee theft is very common.
- **Train employees in the use of QuickBooks.** You should train employees to use QuickBooks if you have a business of any size for two basic reasons:
  - *Someone who knows how to use QuickBooks is less likely to make inadvertent errors.* QuickBooks isn't difficult to use, but neither is QuickBooks something that you can learn willy-nilly with no help. Some transactions are pretty tricky, particularly for certain businesses. So, if you can, it makes good sense to provide some employees with help or training or both. Those resources let people more comfortably and more accurately use QuickBooks features to build financial information that lets you better manage your business.
  - *Messy accounting records camouflage employee theft.* Often, one of the things you see when employee theft happens is really messed-up accounting records. For that reason, you can find yourself in a situation where poorly trained employees create a messy accounting system that enables theft by perhaps one of those employees or some other employee. So training not only means more accurate accounting records, but also that you're less likely to have an environment conducive to theft or embezzlement.
- **Manage your QuickBooks accounting system.** I'm sorry to report that many business owners don't view the accounting system as anything more than a tool to produce invoices and paychecks and information

required for the annual tax return. Unfortunately, that distant relationship with the accounting system means that business owners often don't feel much need to actively manage what happens with the accounting system.

In my opinion — er, an opinion based on more than 25 years of experience working as a CPA — this attitude is wrong. An accounting system should be a tool that you use to better manage your business. And it can be that. But if it's going to be a tool for better managing your business, you need to manage the system. In other words, I respectfully suggest that you take responsibility for ensuring that employees are trained to do the things that protect your accounting system (such as backing up the data file) and that you ensure that they complete appropriate accounting procedures on a monthly and annual basis (such as sending out all invoices, reconciling bank accounts, cleaning up messy transactions, and so forth). I don't think this management responsibility needs to be a heavy one. You can rather easily make sure that people are doing the sorts of things they are supposed to be doing by creating some simple checklists. Table 1-1 shows a sample monthly accounting to-do list. Table 1-2 shows a sample annual accounting to-do list. You can use these as starting points for constructing your own list of things that the accounting clerk or office manager must do every month or at the end of every year.

**Table 1-1 A Sample Monthly Accounting To-Do List**

| |
|---|
| Data backed up and moved offsite |
| Bank accounts reconciled |
| All invoices, credit memos, statements out |
| Any suspense accounts cleaned up |
| Financial statements delivered |
| Exceptions reported (for example, overdue invoices, bills, purchase orders, understocked inventory items) |

**Table 1-2 A Sample Annual Accounting To-Do List**

| |
|---|
| Adjust trial balance |
| Burn CD with year-end numbers for permanent record |
| Consider cleaning up data files if they're huge |
| Close year when really done |